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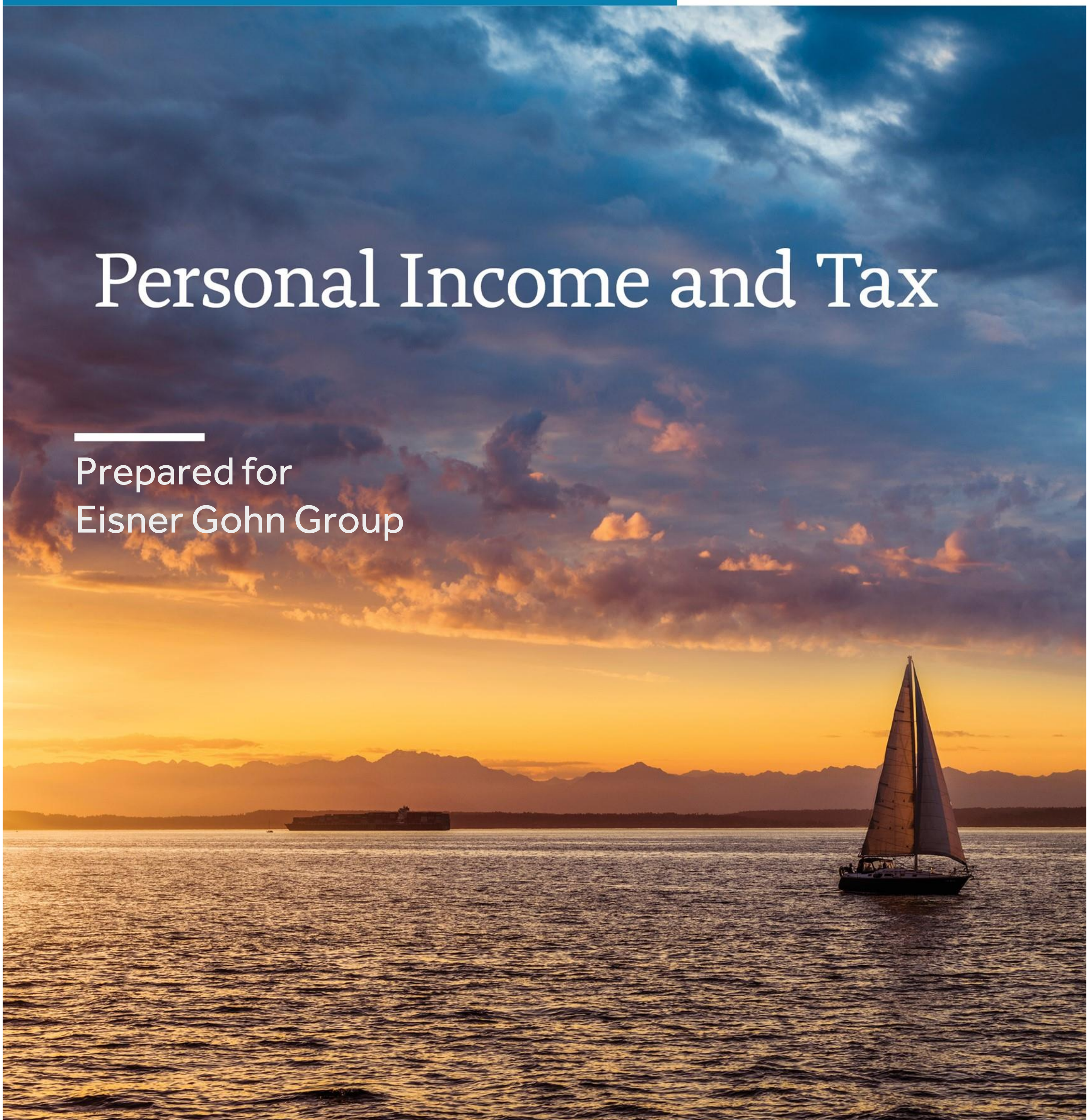
Personal Income and Tax

Prepared for
Eisner Gohn Group



Personal Income and Tax

Income taxation – In general

Income tax is imposed on net taxable income (gross income minus deductions, adjustments, and credits) and applies to individuals, corporations, estates, and trusts under federal, state, and local law. Under current law, federal tax rates for ordinary income range from 10% to 37% and are permanent under the One Big Beautiful Bill Act.

Federal income tax rates are graduated, meaning higher levels of income are taxed at higher marginal rates. Long-term capital gains and qualified dividends are generally taxed at preferential rates of 0%, 15%, or 20%, depending on taxable income. In certain cases, an additional 3.8% net investment income tax may apply.

What is income?

Section 61 of the Internal Revenue Code defines gross income broadly as all income from whatever source derived. The Supreme Court, in Commissioner v. Glenshaw Glass Co., clarified that income includes undeniable accessions to wealth that are clearly realized and over which the taxpayer has complete dominion.

How is ordinary income taxed?

Ordinary income is generally defined as income other than capital gains (defined below) and can consist of wages, salaries, tips, commissions, bonuses and other types of compensation from employment as well as interest, some dividend distributions, and net business income from a sole proprietorship, partnership, or S corporation. Ordinary income can be offset by ordinary losses and up to $3,000 of capital losses per year with any remaining capital losses being carried forward to subsequent years.

What are capital gains?

Capital gains income is taxed at rates that differ from ordinary income tax rates. Capital gains income is income from the sale of a capital asset. Capital assets are defined in IRC §1221 as property held by a taxpayer, not including the following:

- Inventory,
- Copyrights or literary, musical, or artistic compositions created by the taxpayer,
- Accounts or notes receivable,
- Derivatives held by a derivatives trader,
- Hedging transactions, or
- Supplies used in the taxpayer's business.

How are capital gains taxed?

Capital gains income arises from the sale of a capital asset, as defined in IRC §1221. Long-term capital gains apply to assets held for more than one year and are taxed at preferential rates. Short-term capital gains apply to assets held for one year or less and are taxed at ordinary income tax rates.

Long-term capital gains are taxed at 0%, 15%, or 20%, depending on total taxable income. Applicable thresholds are indexed for inflation.

How do I determine which capital gains rate applies?

As noted above, the long-term capital gains rate is determined by the taxpayer's total taxable income. If a married couple filing jointly has total taxable income of less than $98,900 ($49,450 for single filers) in 2026, long-term capital gains will be taxed at a 0% rate. If a married couple filing jointly has taxable income in excess of $613,700 ($545,500 for single filers) in 2026, long-term capital gains will be taxed at 20%.

Only the portion of long-term capital gains in excess of $613,700 (or $545,500 for single filers) is taxed at 20%, while long-term capital gains below these amounts are taxed at 15%. For example, if a married couple filing jointly has $640,000 of taxable income in 2026, $100,000 of which consists of long-term capital gains, the first $73,700 of long-term capital gains will be taxed at 15%, with the remaining $26,300 taxed at 20%. These thresholds are indexed for inflation.

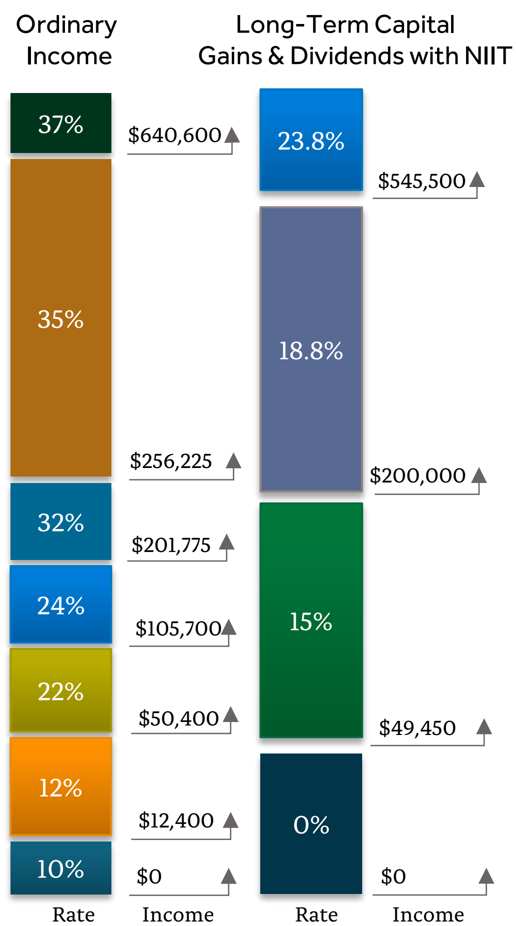
What is the net investment income tax?

A 3.8% net investment income tax (NIIT) may apply to certain investment income, including interest, dividends, capital gains, rental income, royalties, and passive business income, for individuals with modified adjusted gross income exceeding:

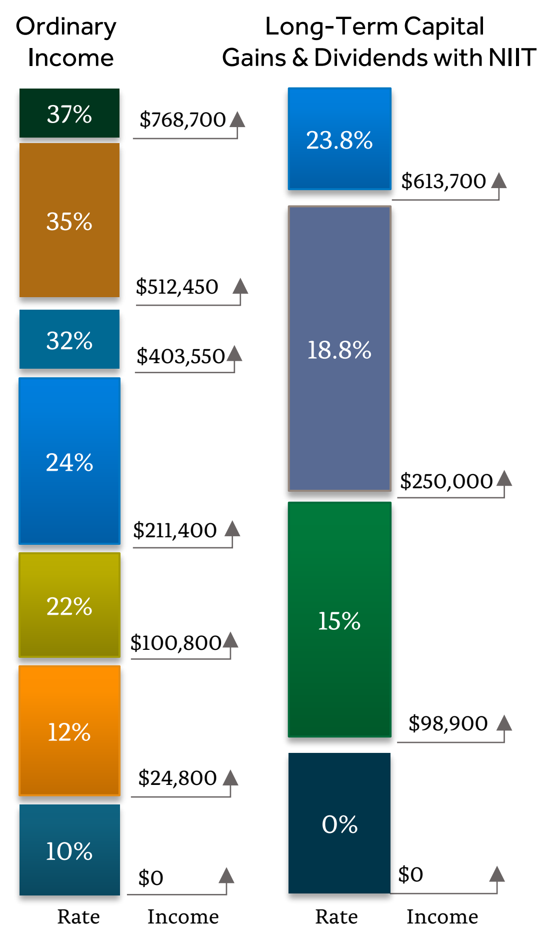
- $250,000 (married filing jointly)
- $200,000 (single or head of household)
- $125,000 (married filing separately)

Below are the tax rates for 2026, including ordinary income, capital gains, and NIIT.

Single Taxpayer Rates



Married Filing Jointly Rates



As a result of H.R.1 of the 119th Congress (commonly known as the One Big Beautiful Bill Act), the estate, gift, and generation skipping tax exemptions amounts enacted under the Tax Cuts and Jobs Act of 2017 were made permanent. Effective January 1, 2026, the exemption amount will be $15 million per person ($30 million for a married couple), with annual adjustments for inflation. For asset transfers in excess of the applicable exemption amount and otherwise subject to such taxes, the highest applicable federal tax rate remains at 40%. In addition, under different rates, rules, and exemption amounts (if any), there may be state and local estate, inheritance, or gift taxes that apply in your circumstances. Please consult your own tax or legal advisor for advice pertaining to your specific situation. This tax-related discussion reflects an understanding of generally applicable rules and was prepared to assist in the promotion or marketing of the transactions or matters addressed. It is not intended (and cannot be used by any taxpayer) for the purpose of avoiding any IRS penalties that may be imposed upon the taxpayer. New York Life Insurance Company, its agents and employees may not give legal, tax or accounting advice. Individuals should consult their own professional advisors before implementing any planning strategies. These materials are prepared by The Nautilus Group®, a service of New York Life Insurance Company, and are made available to all Nautilus Group member agents and, as a courtesy, to select agents of New York Life Insurance Company. SMRU 5018186 Exp. 01/31/2029

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